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EX PARTE OR LATE FILED

January 16, 1998

VIA HAND DELIVERY

Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, DC 20554

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JAN 16 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: Written Ex Parte Presentation -
(CC Docket No. 96-45)

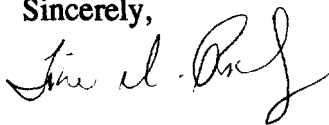
Dear Ms. Salas:

Puerto Rico Telephone Company ("PRTC") hereby gives notice of a written ex parte presentation in the above-referenced proceeding. The presentation was made in the form of the attached letter.

PRTC's presentation was forwarded to the members of the Federal-State Joint Board on Universal Service and the Chief of the Common Carrier Bureau.

Two copies of the letter are submitted with this letter pursuant to Section 1.1206(b)(1) of the Commission's Rules, 47 C.F.R. § 1.1206(b)(1).

Sincerely,



Tina M. Pidgeon

Enclosures

cc: Chairman William E. Kennard
The Honorable Michael K. Powell
The Honorable Gloria Tristani
The Honorable David Baker
The Honorable Martha S. Hogerty

The Honorable Susan Ness
The Honorable Harold W. Furchtgott-Roth
The Honorable Julia Johnson
The Honorable Laska Schoenfelder
A. Richard Metzger, Jr., Chief, Common Carrier Bureau

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JAN 16 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Office of the President

January 14, 1998

VIA HAND DELIVERY

The Honorable William E. Kennard, Chairman
Federal Communications Commission
1919 M Street NW
Washington, DC 20554

RE: Federal State Joint Board on Universal Service (CC Docket 96-45)

Dear Chairman Kennard:

On behalf of the Puerto Rico Telephone Company ("PRTC"), I am writing to bring to your attention a matter of serious concern. As you know, the methodology for calculating universal service support will undergo significant changes as of January 1, 1999. One of these changes is that universal service distributions to non-rural carriers will be determined based on costs estimated by a proxy model, rather than based on actual costs incurred and recorded by the carriers.

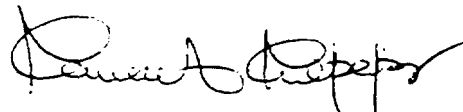
During the course of this proceeding, PRTC has expressed in the clearest terms its concerns regarding the capability of a proxy model to determine with accuracy the cost of providing service in Puerto Rico. Among PRTC's concerns have been the ability to model customer location, to account for Puerto Rico's low service penetration rate, and to accumulate sufficient Puerto Rico-specific data for populating any of the models. In addition, the proxy model approach fails to address the affordability of telephone service, which is a principle cause of the low penetration rate in Puerto Rico (currently seventy-six percent). For these reasons, PRTC has requested on numerous occasions that the Commission accord PRTC status as an insular carrier as contemplated under Section 254 (b)(3) of the Communications Act, and thus allow PRTC the same treatment as rural carriers for the purposes of transitioning to the model methodology. In the past, however, no model results for Puerto Rico had been available to confirm or contradict PRTC's doubts about the ability of a model to predict service costs for the Island.

The Honorable William E. Kennard
January 14, 1998
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Unfortunately, recent model results have confirmed and deepened PRTC's concerns. As of mid-December, both the Hatfield and BCPM models were populated with Puerto Rico data, yielding what can only be termed as irrational results. According to the BCPM, using the default valves in the model PRTC's total universal service need is \$37,055,340. Again, using default valves the Hatfield model tells us that PRTC should receive only \$685,020 in universal service support. Considering that federal universal service support is presently formulated to fund only one-quarter of this need, federal support predicted by the models is \$9,263,835 and \$171,255, respectively. In 1997, PRTC received over \$107 million dollars in combined universal service and long term support. Therefore, the BCPM reduces PRTC's universal service support to less than one-tenth of its 1997 amount; the Hatfield model reduces PRTC's support to slightly more than one-thousandth of its previous amount. In addition, PRTC is required to pay \$9,490,857 in federal USF contributions, completely offsetting the small funding that PRTC would otherwise receive under the proxy model approach. The reductions in USF support anticipated under the proxy model regime are nothing short of alarming, and the impact upon PRTC's ability to provide reasonably priced universal service could be devastating. On this basis, PRTC renews its request to the Commission to delay calculating PRTC's universal service support based on a proxy model, until a model is developed that can produce reasonable results.

I am planning a trip to Washington, DC during the week of January 19 and would like very much to discuss these concerns with you and the Commission. In this regard, I will follow-up with the appropriate request to your staff.

Sincerely,



Carmen Ana Culpeper

C: The Honorable Susan Ness
The Honorable Harold W. Furchtgott-Roth
The Honorable Michael K. Powell
The Honorable Gloria Tristani
The Honorable Julia Johnson
The Honorable David Baker
The Honorable Laska Schoenfelder
The Honorable Martha S. Hogerty
A. Richard Metzger, Jr., Chief, Common Carrier Bureau